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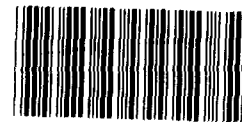
Testimony

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Integration of Services for  
Low-Income Families

Statement of  
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Before the  
Select Committee on Hunger  
House of Representatives



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## SUMMARY.

### Integration of Services for Low-Income Families

GAO's testimony focuses on the results of four reports on service integration it has issued over the past year. These reports include a comprehensive survey of states' views on obstacles and actions needed to enhance integration efforts. Many states reported substantial service integration progress among the AFDC, Medicaid, Food Stamp, and Emergency Assistance to Needy Families with Children programs. However, states believe that the many differences in rules and requirements among these programs and insufficient federal coordination are obstacles to further integration.

GAO supports continued efforts to integrate services and efforts to standardize eligibility and administrative requirements for programs that affect specific target populations. GAO believes that, to enhance the possibilities for success in reducing administrative costs and making programs more responsive to clients' needs, several courses could be taken. Thus, GAO suggests that future integration efforts

- focus on such discrete target groups as families with children, whether restructuring programs or better coordinating the programs as they exist;
- analyze the differences among programs serving the target group with a view toward identifying differences that both inhibit integration and provide the best opportunities for improving it;
- identify options for standardizing or eliminating program differences and assess them, using such criteria as effects on program objectives, benefit and administrative costs, responsiveness to client needs, and the reduction of payment errors;
- use analytical models that include data for each state to gauge the effects of changes in eligibility requirements on the target groups and on federal, state, and local governments.

Furthermore, changes should be undertaken with caution and due care. The House Ways and Means Committee welfare reform initiative proposes that a commission be established to identify avenues for further integrating AFDC and Food Stamps. GAO believes this is an appropriate strategy for focusing the analysis needed of change options.



Our testimony focuses on integration of services for low-income families--a subject that has received considerable attention at all levels of government. It is based generally on a series of reports that we have issued to the Select Committee over the past year. Primarily, we will focus on our July 29, 1987, report on the results of our 50-state questionnaire survey of the status of service integration and states' views on obstacles and actions needed to enhance integration. Attachment I lists the reports.

Our efforts focused on the Aid to Families with Dependent Children (AFDC), Emergency Assistance to Needy Families with Children, Medicaid, Food Stamp, Low-Income Energy Assistance, and Section 8 Housing programs, and on four types of service integration--collocation of delivery units, coapplication, coeligibility determinations, and single case managers. These integration approaches are further defined in attachment II.

#### STATUS OF SERVICE INTEGRATION

As detailed in our July 29 report, many states have taken steps to foster integration by restructuring their departments responsible for welfare programs and consolidating some programs' services for low-income families. States reported substantial integration among the AFDC, Medicaid, Food Stamp, and Emergency Assistance to Needy Families with Children programs. The Low Income Energy Assistance program is integrated with the other

programs, but to a much lesser extent, and the Section 8 Housing program is only minimally integrated. When asked their views on the need for further service integration, 37 states indicated they strongly support enhancing integration efforts and that favorable outcomes could result if such activities were increased.

### OBSTACLES

According to the states, there are certain obstacles at the federal level to their efforts to achieve greater service integration for low-income families.

One major category of obstacles is program differences. Generally, each of the six programs uses different definitions and terminology. For example, income and asset limits are defined differently among AFDC, Food Stamps, and Section 8 Housing. In addition, the programs use different factors in determining eligibility and benefit amounts. The extent to which factors are used to determine eligibility and benefit amounts among programs is detailed in attachment III.

A second major category of obstacles is coordination. The states believe that the sheer number of agencies, organizations, and congressional committees involved in administering and overseeing services provided to low-income

families makes coordination difficult. For example, four of the programs we included in our study are overseen by 11 House and Senate Committees with legislative responsibility, 2 federal departments, 2 federal agencies, 50 state welfare departments, and numerous county and district welfare offices.

ACTIONS THE STATES BELIEVE WOULD  
ENHANCE SERVICE INTEGRATION

According to the states, federal actions more so than state or local actions are needed to realize additional service integration. A majority of states believe their efforts to increase integration would be greatly helped by federal actions to:

- Further combine, simplify, and make uniform programs' rules, including eligibility requirements, terminology, administrative requirements, and quality control measures. Also, in March 1986 the National Council of State Human Service Administrators reported that much could be done at the federal agency level to coordinate AFDC and Food Stamps but that statutory changes were essential to resolve program differences that hinder effective administration.
- Improve coordination among legislative committees, federal agencies, and levels of government, and within agencies.

-- Increase funding for service integration demonstration projects, computer systems, and program administration.

SUGGESTED COURSES FOR FUTURE  
PROGRAM INTEGRATION EFFORTS

GAO supports continued efforts to integrate services, including standardizing eligibility and administrative requirements for specific target populations. As these efforts continue, several courses could be taken to enhance the possibilities for success.

Focus on Target Groups

Whether restructuring existing programs or attempting to better coordinate them, it is useful to focus on discrete target groups. For instance, focusing on AFDC families and their needs, rather than the programs that serve them as well as many other target groups, should aid attempts to make more consistent the eligibility criteria and administrative requirements of programs that serve the AFDC population. Also, such an approach should enhance meeting such objectives as helping these families become self-sufficient. HR 1720, for example, which focuses on AFDC families, provides for a needs assessment for each family, improved integration and coordination of AFDC and Food Stamps--their core aid programs--and also education and training programs to help them become self-sufficient. We believe this is an



appropriate integration strategy, allowing for the incremental consideration of additional programs that serve AFDC families.

#### Analyze Program Differences

Next, the differences among programs serving the target group should be analyzed with a view toward identifying both differences that inhibit integration and those that provide the best opportunities for improving program congruence. The following table exemplifies major differences among four programs in which AFDC families commonly participate.

SELECTED DIFFERENCES AMONG FOUR PROGRAMS  
SERVING AFDC FAMILIES

	<u>AFDC</u>	<u>Food Stamp</u>	<u>Medicaid</u>	<u>Section 8 Housing</u>
<u>Program characteristics:</u>				
1) Purpose	Provide aid to needy children and caretaker relatives	Provide households an opportunity to obtain a more nutritious diet.	Provide medical assistance to welfare recipients and other medically needy persons.	Provide decent affordable housing to low-income families
2) Form of benefit	Cash	Food Stamp coupons	Payment for medical services.	Cash rent subsidy to housing owner.
<u>Eligibility criteria:</u>				
1) Recipient Unit	Families with children lacking parental support.	Low-income "households."	AFDC and most SSI recipients and other medically needy persons at state option.	Low-income "families" (includes single persons who are disabled, elderly, or have been displaced).
2) Income Limit	Income does not exceed 185 percent of state's standard of need.	Automatic eligibility for households containing only AFDC recipients--an estimated 65 percent of all AFDC families; for others, 130 percent of poverty line.	Automatic eligibility for AFDC and SSI recipients; in certain states other groups according to state option.	Family income below 80 percent of the area median income based on HUD standards.
3) Asset Limits	\$1,000 equity value per family excluding: the home, one auto (\$1,500 equity limit), and items essential for day-to-day living.	Same as AFDC for households containing only AFDC recipients; for others, \$2,000 per household excluding the home, one auto at \$4,500 market value, and certain other items.	Same as for AFDC and SSI: can be more liberal for medically needy.	No asset test, but income is imputed at a rate of 10 percent per year of assets in excess of \$5,000.

### Identify Options

Next, options for standardizing or eliminating program differences should be identified and evaluated using such criteria as effects on (1) program objectives, (2) benefit and administrative costs, (3) responsiveness to client needs, and (4) reduction of error and complexity.

For example, one option for further integrating the four programs discussed above would be to make all AFDC families categorically eligible for Food Stamps and Section 8 Housing--all are now eligible categorically for Medicaid and, under the Food Security Act of 1985, households in which all members receive AFDC are categorically eligible for Food Stamps. Our work has shown that about 65 percent of AFDC families live in such households.

From the standpoints of administrative costs (fewer eligibility determinations), responsiveness to client needs (less burdensome application procedures), and reduced errors (less chance for eligibility mistakes), such an option may be well received. However, this option may tend to shift the Food Stamp and Housing programs' objectives toward serving the AFDC population rather than low-income households generally, and increase--at least for food stamps--benefit costs. We recently reported that a 1984 demonstration project carried out in four

locations in which AFDC families, for the most part, were made categorically eligible for Food Stamps achieved administrative cost savings and reduced errors at two locations, but resulted in increased benefit costs that more than offset the savings. The primary reason for the benefit increases was that the Congress required that average Food Stamp benefits for the target groups were to be kept at least as high as the average benefits that would have been provided under conventional Food Stamp program procedures. Such "hold harmless" provisions should be a major consideration in any future deliberations on program integration, because they could result in increased benefit costs.

Consideration of other options more detailed than the categorical eligibility option will require a closer examination of eligibility and administrative differences among the programs. Between AFDC and Food Stamps, for example, there are numerous differences and thus options for standardization and potential effects to be considered. Examples are included in the following table:

OPTIONS FOR STANDARDIZING SELECTED AFDC AND  
FOOD STAMP ELIGIBILITY FACTORS

<u>Program factors</u>	<u>AFDC</u>	<u>Food Stamps</u>	<u>Options</u>	<u>Selected possible effects</u>
1. <u>INCOME</u>				
a. <u>Work expense disregard</u>	Gross earned income is reduced by \$75 for employment expenses	Gross earned income is reduced by 20% for employment expenses	(1) Use AFDC rule (for both programs)	-Simplifies Food Stamp administration -Decreases Food Stamp administrative costs -Reduces Food Stamp errors
			(2) Use Food Stamp rule	-Complicates AFDC administration -Increases AFDC administrative costs -Increases AFDC errors
b. <u>Child support payment to AFDC families</u>	\$50 payment to family disregarded	Counted as income	(1) Use AFDC rule	-Complicates Food Stamp administration -Encourages custodial parent to help collect support -Increases Food Stamp payments
			(2) Use Food Stamp rule	-Simplifies AFDC administration -Reduces incentive for custodial parent to cooperate -Decreases AFDC payments
c. <u>Student grants, scholarships, and loans</u>	Disregarded if they are administered by Dept. of Education	Considered income to the extent value exceeds direct educational costs	(1) Use AFDC rule	-Simplifies Food Stamp administration -Decreases Food Stamp administrative costs -Reduces Food Stamp errors -Increases Food Stamp payments
			(2) Use Food Stamp rule	-Complicates AFDC administration -Increases AFDC administrative costs -Increases AFDC errors -Decrease AFDC payments

2. GENERAL ELIGIBILITY:

a. Strikers	Ineligible for any month if on strike last day	Eligible if eligible before strike	(1) Use AFDC rule	-Fewer families eligible for Food Stamps -Decreases Food Stamp costs
			(2) Use Food rule	-More families eligible for AFDC -Increases AFDC costs

3. ADMINISTRATIVE:

Recipient reporting of changes that affect eligibility	All families (including those in monthly reporting system) must report all changes	Households in monthly reporting system not required to report interim changes. All others must report certain changes	(1) Use AFDC rule  (2) Use Food Stamp	-Adds to Food Stamp client burden -Reduces Food Stamp payment errors -Increase Food Stamp administrative costs.  -Reduces AFDC client burden -Increases Food Stamp payment errors -Reduce AFDC administrative costs
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All of the above options would result in more uniform treatment of recipients and applicants, and some would simplify program administration and/or reduce costs and error. For example, if student benefits were disregarded in the Food Stamp program as they are in AFDC, recipients would benefit because of uniform treatment; Food Stamp agencies would benefit from simplified administration; and Food Stamp administrative costs and errors would likely decline. On the other hand, Food Stamp benefit costs would likely increase.

Uniformity among eligibility criteria and procedures for the AFDC and Food Stamp programs would solve only half the complexity problem because each program involves a unique second process for computing benefits. Thus, even if all AFDC families were categorically eligible for Food Stamps, separate benefit computations would still be required. This is because the rules differ between the two programs for the treatment of such factors as earned-income disregards to determine benefits.

In a March 1986 report, the National Council of State Human Service Administrators compared the two programs' eligibility, benefit computation, and administrative requirements. The Council identified 36 major factors that the two programs treat differently and that it recommended for resolution to make the programs more uniform. The factors are listed in attachment IV.

Need to Carefully Consider  
Change Options

Any changes made in the programs could affect the incomes and relative poverty status of welfare families, as well as the administrative requirements imposed on them and the agencies. Analytical models can help to gage the effects of prospective changes in eligibility requirements, together with a comprehensive set of computer programs and state-by-state data sets. Moreover, such changes should be undertaken with caution and due care. The Ways and Means Welfare Reform initiative proposes that a Commission be established to identify avenues for further integrating the AFDC and Food Stamp programs. We believe that this is an appropriate strategy for focusing the research and analysis that necessarily must accompany an examination of program change options.

Although eligibility differences among the programs may be more difficult to resolve than procedural or administrative differences, many procedural improvements cannot reach full potential until eligibility requirements are simplified. Nonetheless, as we have testified, state and local governments can make and already have made many improvements on their own initiative. Thus, we believe the Congress and executive agencies should continue encouraging states to undertake such integration initiatives as use of single application forms for several



programs; colocation of services; use of single case managers;  
and coeligibility determination.

This concludes my statement. We would be pleased to respond  
to any questions.

GAO Reports for the  
Select Committee on  
Hunger on Service Integration

Needs-Based Programs - Eligibility and Benefit Factors	GAO/HRD-86-107FS	July 1986
Welfare Simplification - Projects To Coordinate Services For Low-Income Families	GAO/HRD-86-124FS	August 1986
Welfare Simplification - Thirty Two States' Views on Coordinating Services for Low-Income Families	GAO/HRD-87-6FS	October 1986
Welfare Simplification - States' Views on Coordinating Services For Low-Income Families	GAO/HRD-87-110FS	July 1987

Definitions of Four Types of Service Integration

1. Collocation of services--Assistance from two or more programs provided in one location. In our study, we defined one location as a distance between two points no more than one city block apart.
2. Coapplication for service--Assistance from two or more programs applied for using a single application form. Although a single form is used, some questions may apply to all programs, while others may relate to specific programs with unique requirements.
3. Coeligibility determination for services--Applicants have eligibility determined for two or more programs using the same process/procedures to review application forms for several programs having different eligibility requirements.
4. Single case manager for services--When applying for two or more benefits, an applicant deals with one case manager from the beginning of the application process through provision or denial of benefits.

Eligibility and benefit factors

<u>Program</u>	<u>Name</u>	<u>SSN</u>	<u>Date of birth/age</u>	<u>Citizenship</u>	<u>Alien status</u>	<u>Refugee</u>	<u>Parentage</u>	<u>Disability</u>	<u>Blind</u>	<u>Dependents</u>	<u>Household composition</u>
Aid to Families with Dependent Children	1	1	1	1	1	-	1	1	1	1	3
Emergency Assistance to Needy Families with Children	1	-	1	1	1	-	1	-	-	1	2
Food Stamp	1	1	1	1	1	1	-	1	-	-	2
Lower Income Housing Assistance (Section 8)	1	-	1	-	-	-	-	1	1	1	2
Medicaid	1	1	1	1	1	1	1	1	1	1	1

The code numbers used in the table for the various eligibility and benefit factors indicate the following:

- 1 - Used for determining eligibility only.
- 2 - Used for determining benefits only.
- 3 - used for determining both eligibility and benefits.

Source: Needs Based Programs - Eligibility and Benefit Factors (GAO/HRD-86-107FS).

Eligibility and benefit factors

<u>School attendance</u>	<u>Residency/ location</u>	<u>Employment/ work data</u>	<u>Earned income</u>	<u>Unearned income</u>	<u>Resources</u>	<u>Living arrangement</u>	<u>Shelter expense</u>	<u>Utility expense</u>	<u>Medical expense</u>	<u>Work expense</u>	<u>Child expense</u>
1	1	1	3	3	1	-	-	-	-	2	2
-	1	1	1	1	1	-	-	-	-	-	-
-		-									
2	-	-	3	3	1	1	-	-	3	-	3
1	1	1	1	1	1	-	-	-	-	1	1

Factors that Differ Between the  
Food Stamp and AFDC Programs

ADMINISTRATIVE PROCEDURES

1. Implementation of new rules--hold harmless periods for quality control purposes
2. Monthly reporting exceptions to continued benefits pending a hearing
3. Time frames for conducting fair hearings
4. Time frames within fair hearing process
5. Verification requirements at application
6. Verification requirements for recertification/redetermination
7. Verification associated with monthly reporting
8. Verification standards
9. Recipient notice requirements
10. Application requirements
11. Recertification and redetermination requirements
12. Changes in circumstances
13. Quality control program

NONFINANCIAL ELIGIBILITY FACTORS

14. Striker policy
15. Alien status
16. Resource limits
17. Vehicles
18. Life insurance
19. Transfer of asset policy
20. Prepaid burial plans